

No. 15,111

In the

United States Court of Appeals

For the Ninth Circuit

DICK E. STEARNS and THE D. E. STEARNS
COMPANY, a partnership composed of Dick
E. Stearns and Ellen Belson Stearns,

Appellants-Appellees,

vs.

TINKER & RASOR, a corporation JOHN P.
RASOR and LEO H. TINKER,

Appellants-Appellees.

Brief of Tinker & Rasor in Opposition to Stearns' Petition for Rehearing

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The parties Dick E. Stearns and the D. E. Stearns Company (herein referred to as "Stearns") have petitioned this Court for a rehearing. The parties Tinker & Rasor, John P. Rasor and Leo H. Tinker (herein referred to as "Tinker & Rasor"), respectfully oppose Stearns' Petition on the following grounds:

This Court, in a well reasoned, carefully documented Opinion which goes into the facts and law of the case in an exceptionally thorough manner, has concluded that Stearns' policy of leasing only complete machines (which include patented parts represent-

ing only 10% of the cost of a complete machine; see page 21 of the Opinion), and Stearns' policy of refusing to lease or sell the patented parts apart from the unpatented parts, is a misuse of the patent.

Stearns' Petition does not dispute this holding of the Court. The only contention made by Stearns is as follows: In addition to leasing complete machine, Stearns also licenses the patented parts without any tie-in to the unpatented parts. This Court has held that Stearns' licensing policy *per se* is not a misuse. Stearns argues that the lawful licensing policy takes the sting out of, and therefore legalizes the leasing policy.

To sustain this position Stearns must show:

(1) That, as a matter of law, a leasing policy which is unlawful *per se* becomes lawful if the patentee also has a lawful licensing policy.

(2) That, as a matter of fact, the lawful licensing policy relieves the ill effects of the unlawful leasing policy.

Stearns has presented no authority to sustain point (1) and no facts to sustain point (2).

Thus, no cases are cited to show that a misdeed, such as unlawful leasing, plus a "good deed", such as lawful licensing, equals a good deed; i.e., that $2 + 2 = 5$.

As to the effect of the lawful licensing on the unlawful leasing, Stearns' Petition neglects to refer to the following statement in this Court's Opinion at page 24.

"The finding of misuse by the trial court as to the licensing agreements standing alone is clearly erroneous. However, it couples with the policy of leasing and to sales in such a way as to more effectively require one who desires to use the patented article to pay a premium on the unpatented part of the complete apparatus as though the whole apparatus was patented."

Clearly, this Court has held that the licensing policy, although not unlawful by itself, couples with and reinforces the illegality of the leasing policy. This is a holding quite the opposite of Stearns' contention, that his licensing policy relieves the ill effects of his leasing policy.

For the foregoing reasons Tinker & Rasor respectfully submit that Stearns' Petition is without merit and should be denied.

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Certificate of Service

Three copies of the within brief were served upon Dick E. Stearns and the D. E. Stearns Company on the 30th day of January, 1958 by mailing three copies to H. Calvin White at 611 Wilshire Blvd., Los Angeles 17, California, attorney of record for the said parties, the same being the last address of said H. Calvin White known to the undersigned, such copies being sent through United States mail, postage prepaid.

EDWARD B. GREGG

